

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice PF-188

For: State and County Offices

Processing Production Flexibility Contract (PFC) Overpayments Timely

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

On May 13, 2002, Public Law 107-171, the Farm Security and Rural Investment Act of 2002 (the Act) was signed into law.

Section 1107 of the Act specifies that Direct and Counter-Cyclical Program (DCP) payments shall be reduced by the amount of the FY 2002 PFC payments that have been received by a producer under PFC.

Software is currently being developed to meet the requirements of the Act to reduce DCP payments by the amount of PFC payments already issued.

B

Purpose

This notice:

- reminds County Offices of the requirements for:
 - processing overpayments every 60 calendar days
 - recording successions-in-interest in the system
- stresses the importance of:
 - rectifying conditions that are not legitimate debts to CCC
 - transferring legitimate debts to CCC to Common Receivables System (CRS)
 - notifying producers of the debt to CCC.

Disposal Date

October 1, 2002

6-24-02

Distribution

State Offices; State Offices relay to County Offices

Notice PF-188

2 County Office Action

A

Requirements for Processing Overpayments

2-PF, paragraph 221 specifies that overpayments shall be calculated for **all** farms for all program years at least once every 60 calendar days to ensure that:

- producers are timely notified of overpayments
- the finality rule will not apply.

County Offices shall continue to compute overpayments at least every 60 calendar days until the program is officially closed out. The program is not officially closed out until the software options are disabled.

Note: Notice PF-186 advised State and County Offices that the 1998 and 1999 PFC overpayment processes will be disabled when County Release No. 488 is installed. However, the FY 2000 and 2001 PFC overpayment processes have not been closed out.

B

Recording Successions-in-Interest

Predecessors to CCC-478 that have received all, or any portion, of the PFC payment will be listed on the overpayment register until a succession-in-interest is recorded.

It is imperative that successions-in-interest are recorded for **all** predecessors so the amount issued to the predecessor is attributed to the successor. This is particularly important for FY 2002 so that DCP payments will be computed properly.

Note: Successions-in-interest are not recorded if the predecessor to the contract did not receive any PFC payments or has refunded the **full** amount of the PFC payment received.

County Offices shall ensure that **all** full and partial successions-in-interest are immediately recorded in the system according to 2-PF, Part 12. Once the succession-in-interest is recorded, the predecessor will be removed from the overpayment register.

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2 County Office Action (Continued)

C

Handling

Overpayments

County Offices shall ensure that overpayment registers are thoroughly reviewed and either of the following actions are taken:

- legitimate overpayments are transferred to CRS immediately
- conditions causing the overpayment to be listed are immediately corrected.

With the exception of the specific situations listed in the following table, there should not be any overpayments listed on the overpayment register. This table identifies situations where producers may be listed on the overpayment register, but no action is necessary.

Example	Situation	Reason Producer Is Not Overpaid
1	<p>Producer A receives 100 percent of the PFC payment, then Producer B succeeds to Producer A's interest in PFC. A succession-in-interest is recorded from Producer A to Producer B.</p> <p>However, Producer B does not provide CCC-502 so the actively engaged and person determination flags for Producer B are invalid.</p> <p>Note: This situation would apply to any payment eligibility documentation that is not filed by the producer, such as the AD-1026 or FCI requirements.</p>	<p>Producer B will be listed on the overpayment register because the payment issued to Producer A is now attributed to Producer B.</p> <p>Producer B is not actually overpaid, but there is not any action that can be taken to remove Producer B from the overpayment register.</p>
2	<p>Producer C receives 100 percent of the PFC payment, then Producer D succeeds to Producer C's interest in PFC. A succession-in-interest is recorded from Producer C to Producer D.</p> <p>Producer D refuses all program payments so the refused payment flag is set to "Y" in the name and address file.</p> <p>Note: This situation would also apply if Producer D is only refusing the payment on this particular farm.</p>	<p>Producer D will be listed on the overpayment register because the name and address refused payment flag is set to "Y".</p> <p>Producer D is not actually overpaid, but there is not any action that should be taken to remove Producer D from the overpayment register.</p>

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2 County Office Action (Continued)

**C
Handling
Overpayments
(Continued)**

Example	Situation	Reason Producer Is Not Overpaid
3	<p>Producer X receives 100 percent of the PFC payment, then Corporation Y succeeds to Producer A's interest in PFC. A succession-in-interest is recorded from Producer X to Corporation Y.</p> <p>Corporation Y has a permitted share of 66 percent. An overpayment is computed for Corporation Y because the permitted share is less than 100 percent.</p>	<p>Corporation Y will be listed on the overpayment register because the earned payment amount with a 66 percent permitted share is less than the amount paid to Producer X and now attributed to Corporation Y.</p> <p>Corporation Y is not actually overpaid, but there is not any action that can be taken to remove Corporation Y from the overpayment register.</p>

**D
Contacts**

For assistance or guidance about particular overpayment situations:

- County Offices shall contact their State Office
 - State Offices shall contact PECD for assistance.
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